

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance
(JC-Fi)

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
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Joint Finance

16.515/16.505

14 Day Passive
Reviews

3/13/97 -

5/7/97

DHFSLOC17/DOC
4/9/97

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE



ASSEMBLY CHAIR
SCOTT JENSEN

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JOINT COMMITTEE ON FINANCE

April 14, 1997

Mr. Mark D. Bugher, Secretary
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53702

Dear Secretary Bugher:

On March 24, 1997, s. 16.515 requests for the Department of Corrections and for the Office of the Commissioner of Insurance/Department of Health and Family Services were submitted in a memorandum from you to us for approval by the Joint Committee on Finance.

The following request is approved: increased expenditure authority of \$157,000 PR in 1996-97 for the Department of Corrections for correctional farms programs.

With regard to the requested increase in expenditure authority of \$64,600 PR for the Office of the Commissioner of Insurance the Committee notes the following:

First, the Office of Health Care Information, which is the entity that would ultimately be expending the additional funds, has now indicated that the maximum amount that would be expended in the remainder of this fiscal year would be \$43,400 PR. Second, part of the request for increased expenditures (totaling \$19,300 PR) involves the development of an electronic health plan selection tool (Internet application) which involves work effort and funding considerations that extend beyond this fiscal year and therefore it would appear that this aspect of request would more appropriately be addressed as a part of the Office of Health Care Information's 1997-99 work activities.

Therefore, the Committee will approve a lesser funding increase of \$24,100 PR in 1996-97 for the Office of Commissioner of Insurance's general program operations appropriation [s. 20.145(1)(g)]. These funds would be intended to be released by OCI to the Office of Health

Secretary Mark Bugher

April 14, 1997

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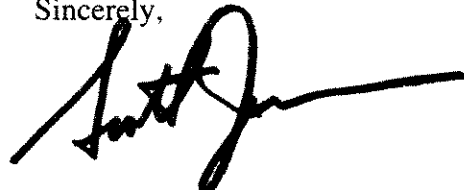
Care Information for expenses incurred by that Office subsequent to April 15, 1997, for that Office's efforts in surveying HMO's to assess the current capacity of state health plans to gather relevant health plan performance data. This increase in expenditure authority would be a one-time increase and therefore not base-building.

Unless you notify us by April 21, 1997, that you wish us to schedule a meeting of the Committee to consider the original request from the Department of Health and Family Service/Office of the Commissioner of Insurance, we will consider the DHFS/OCI request as approved with the modifications as noted above.



BRIAN BURKE
Senate Chair

Sincerely,



SCOTT JENSEN
Assembly Chair

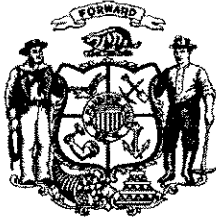
BB/SJ/jc

cc: Members, Joint Committee on Finance
Commissioner Musser, OCI
Barbara Rudolph, OHCI
Linda Nelson, DOA

THE STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM:

TO: Members
Joint Finance

From: Representative Scott Jensen
Senator Brian Burke
Co-Chairs, Joint Committee on Finance

Date: March 24, 1997

Re: s.16.515/16.505 Request

Attached is a copy of a request from the Department of Administration dated March 24, 1997 pursuant to s. 16.515/16.505(2), Stats., pertaining to requests from the Department of Health and Family Services for the Office of Health Care Information and Department of Corrections.

Please review these items and notify **Representative Jensen's** or **Senator Burke's** office no later than **Wednesday, April 9, 1997** if you have any concerns about the request or would like the Committee to meet formally to consider the request.

Please contact us if you need further information.

SJ:BB:jt



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 8, 1997

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: s. 16.515 Request from the Department of Health and Family Services for the Office of Health Care Information's Health Plans Performance Measures Project

Request

The Department of Health and Family Services (DHFS) has requested that the Committee increase the expenditure authority for the Office of the Commissioner of Insurance's (OCI) general program operations appropriation by \$64,600 PR to fund the second phase of a health plan performance measures project being conducted by the Office of Health Care Information (OHCI). Under the s. 16.515 process, the Committee has 14 days from the receipt of a s. 16.515 request to review the proposal. If no action is taken by the Committee by April 14, this request from DHFS will be considered approved as submitted on April 15, 1997.

Background

Although it would normally be the case that any request for an increase in OCI's appropriations should come from the Commissioner of Insurance and not another state agency, OCI has indicated that it supports the request for additional expenditure authority in 1996-97 only for this project. Further, it should be noted that in September, 1996, under a memorandum of understanding between the two agencies, administrative responsibility for OHCI was transferred from OCI to DHFS. As noted below, funding for Phase 1 of this project was provided in 1995-96 from OCI's general program operations appropriation under the biennial budget. The additional one-time expenditure requested for OCI would be used to reimburse OHCI for its expenditures on the second phase of this project for the remainder of 1996-97 only.

The health care performance measures project is intended to build upon health plans' current data collection efforts and develop a health plans performance measurement system (such as "health care plans report cards") for use and review by consumers, purchasers, policymakers, providers and regulators of health plans. This s. 16.515 request is for funding of costs associated with the second phase of OHCI's development and testing of performance measures. In 1995 Act 27, \$50,000 PR was provided for the first phase of this project, which was expected to take approximately a year (1995-96). In the first phase, OHCI contracted with the UW-Madison Center for Health Systems Research for staff support for a process under which selected parties worked on developing performance measures. Act 27 provided that upon submittal of a report on the first phase of the project to the Joint Committee on Finance, OCI could request funding, under s. 16.515 of the statutes, to conduct a demonstration of the feasibility of collecting, analyzing and disseminating information on the performance measures identified in Phase 1 of the project. OHCI indicates that a report regarding phase one of the project ["Health Plan Performance Measures: A Vision for the Future"] was submitted to the Committee in May of 1996.

Analysis

On March 10, 1997, DHFS requested increased expenditure authority in OCI's appropriation to support \$64,600 of funding to OHCI for the second phase of the project. After further review of its cost projections at the request of this office, OHCI now projects that it would need \$43,400 to fund the second phase of the project for the time period of April 15, 1997, through June 30, 1997, based on the remaining time available in this fiscal year for work on the project. It should be noted that the total scope of the second phase of the project would require work effort and additional funding beyond the end of this fiscal year.

OHCI indicates that the requested funding would be intended to allow OHCI to contract staff to work on two main program components: (1) to conduct a survey of HMO's to assess the current capacity of state health plans to gather relevant health plan performance data; and (2) to begin work on the design and testing of an electronic health plan decision-making tool for the Internet to assist consumers in their selection of a health plan. OHCI indicates that as part of the survey, it would: (1) assess the current information technology capacity of certain HMO health plans to gather and respond to requests for health plan performance measures; (2) investigate health plans' current reporting measures used to report to other groups such as the Department of Employee Trust Funds and the Bureau of Health Care Financing in DHFS; (3) identify and work with a voluntary group of health plans already gathering and analyzing clinical process and outcome indicators beyond those currently required by state purchasers to determine whether those indicators could be used to provide comparative data for plans across Wisconsin; and (4) provide a summary document on the capacity of plans to submit plan performance data.

A breakdown of the requested funding by the two components of this project--the survey and the development of an electronic health plan decision-making tool for consumers to be accessible on the Internet--is provided in the table below.

	Electronic Health Plan <u>Selection Tool</u>	Survey of <u>Health Plans</u>	<u>Total</u>
Contractual Services			
Personnel Costs	\$12,357	\$10,720	\$23,077
OHCI Expenditures			
Personnel Costs	\$4,138	\$4,334	\$8,472
Printing	0	3,750	3,750
Postage	2,000	3,000	5,000
Travel Costs	0	1,000	1,000
Conference Costs	600	0	600
Publications	0	1,000	1,000
Materials & Supplies	<u>200</u>	<u>300</u>	<u>500</u>
Subtotal	\$6,938	\$13,384	\$20,322
Total Project Costs	\$19,295	\$24,104	\$43,399

OHCI indicates that while it hopes to at least complete the survey within this fiscal year, the total project including the development of the electronic health plan selection tool for Internet application cannot be completed in this time period but rather will require additional time and funding after this requested funding is depleted to complete. OHCI anticipates that additional funding could come from a self-funded but voluntary system of health plan participation in the project in the next biennium. While OHCI has not provided this Committee with any total budget for the entire project, earlier correspondence from DHFS to the Legislative Council Special Committee on Health Care Information indicated that additional funding of \$221,700 could be needed for the health plan performance measures initiative in the next biennium.

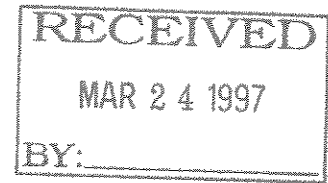
The Committee may also wish to note that OCI indicated to the Legislative Council Special Committee on Health Care Information that the recently enacted federal Health Insurance Portability and Accountability Act (the Kassebaum/Kennedy bill) "creates a new federal mandate for collecting a wide range of individual specific health care information." OCI further indicated that the Secretary of the federal Department of Health and Human Services is required to adopt standards and requirements for data collection to enable health information to be exchanged electronically. It might therefore be argued that any work on the development of Internet tools or other reporting formats relating to uniform reporting and evaluation of health plan data needs to take into consideration such future federal standards before proceeding to implementation. It could be argued that this would be another reason for the Joint Committee on Finance to consider not providing at this time any funding beyond the survey costs.

Alternatives

The Committee may wish to consider--given the limited time remaining in this fiscal year, the fact that the Internet tool component of phase two of the project could logically follow after the survey is completed and that this request would in any case provide only partial funding for that effort--whether any of the Internet component of the project should be funded at this time. The Internet component of this project could be addressed at a later time and possibly funded through the participating health plans as DHFS has indicated may occur after this s. 16.515 funding is depleted. Further, the Legislative Council Special Committee on Health Care Information has developed tentative legislation that could further address both this issue and others relating to the Office of Health Care Information operations.

If the Committee wished to provide funding for only the survey component of the Phase 2 of the project, the Committee could approve \$24,100 PR in 1996-97 in increased one-time expenditure authority from OCI's general program operation appropriation (s. 20.145(1)(g)). However, if the Committee wished to fund both components, the survey and the Internet tool development, the Committee could approve \$43,400 PR in 1996-97 in one-time expenditure authority from OCI's general program operation appropriation (s. 20.145(1)(g)), in lieu of the original requested amount [\$64,600 PR].

Prepared by: Tricia Collins

CORRESPONDENCE MEMORANDUM**STATE OF WISCONSIN
Department of Administration****Date:** March 24, 1997**To:** The Honorable Brian Burke, Co-Chair
Joint Committee on FinanceThe Honorable Scott Jensen, Co-Chair
Joint Committee on Finance**From:** Mark D. Bugher, Secretary
Department of Administration

A handwritten signature in black ink, appearing to be "MB", written over the typed name of Mark D. Bugher.

Subject: S. 16.515/16.505(2) Requests

Enclosed are requests which have been approved by this department under the authority granted in s. 16.515 and s. 16.505(2). The explanation for each request is included in the attached materials. Listed below is a summary of each item:

<u>AGENCY</u>	<u>DESCRIPTION</u>	<u>1995-96</u> <u>AMOUNT</u>	<u>FTE</u>	<u>1996-97</u> <u>AMOUNT</u>	<u>FTE</u>
DHFS/OCI 20.145(1)(g)	General Program Operations; Health Plan Performance			\$64,600	
DOC 20.410(1)(kf)	Correctional Farms			\$157,000	

As provided in s. 16.515, this request will be approved on April 15, 1997, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about this request.

Please contact Linda Nelson at 266-3330, or the analyst who reviewed the request in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

CORRESPONDENCE MEMORANDUM

**STATE OF WISCONSIN
Department of Administration**

Date: March 20, 1997

To: Mark D. Bugher, Secretary
Department of Administration

From: Susan Jablonsky, Budget Analyst

Subject: Request Under s. 16.515 From the Department of Health and Family Services for the Office of Health Care Information

REQUEST:

The Department of Health and Family Services (DHFS) requests \$64,600 PR expenditure authority in the Office of the Commissioner of Insurance's s.20.145(1)(g) appropriation, the general program operations appropriation, to fund data collection activities in the Office of Health Care Information (OHCI).

REVENUE SOURCES FOR APPROPRIATION:

Revenues to support the request are received from fees and assessments on insurance companies. A balance of \$857,800 would remain in the appropriation if this request is approved.

BACKGROUND:

In 1995 Wisconsin Act 27, the biennial budget, funding was approved in the Office of the Commissioner of Insurance (OCI) budget for the OHCI to initiate a project to establish health care performance measures. These measures are commonly referred to as report cards on such issues as access to care, satisfaction with services, etc. that a consumer would want to know about in choosing a health care plan. The Legislature approved \$50,000 PR for the first phase of the project during which OHCI developed a comprehensive set of performance measures. The result of that effort was a report, *Health Plan Performance Measures: A Vision for the Future*, which was forwarded to Joint Committee on Finance members last summer. The Legislature required OHCI to forward a request under s.16.515 for the \$100,000 balance of the expenditure authority to complete the project.

Last fall, under an interagency agreement between OCI and DHFS, supervision of OHCI was transferred to DHFS. Because OHCI is still officially a part of OCI, revenues collected by OCI will support the request.

ANALYSIS:

Now that performance measures have been identified, OHCI would like to proceed with the second phase of the project. The major activity will be an assessment of the capability of health plans, which are primarily health maintenance organizations (HMOs), to collect information on the performance indicators identified. Under contract with the University of Wisconsin Center for Health Systems Research, staff will develop a survey for HMOs to rate

Mark D. Bugher, Secretary

3/20/97

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the ability of the organizations' information technology equipment and processing procedures to produce output in performance indicator format. Most of the focus will be on the ability of health plans to provide certain required performance indicators to the State which purchases health insurance for its employees through the Department of Employee Trust Funds and for recipients of Medical Assistance which is operated by the Bureau of Health Care Financing. OHCI also intends to develop a health plan decision-making tool which can be used by consumers in choosing a health care plan. Funding requested is less than the \$100,000 originally assumed due to the timing of the submission of this request.

RECOMMENDATION:

Approve the request for one-time expenditure authority in FY97 of \$64,600.

**Department of Health and Family Services
Office of Strategic Finance
Budget, Strategic Planning & Evaluation, and
Delivery System Development & Standards**

PO Box 7850
Madison WI 53707-7850
Phone (608) 266-3816
Fax (608) 267-0358

Date: March 10, 1997
To: Sue Jablonsky
Department of Administration
From: Ellen Hadidian *EH*
Budget Section
Subject: S. 16.515 Request

The Department requests the release of \$64,600 GPR from appropriation 20.145 (1) (g) [General Program Operations for the Office of the Commissioner of Insurance] under s. 16.515 of the statutes. The funds will be used by the Office of Health Care Information (OHCI) to demonstrate the feasibility of collecting, analyzing and distributing information on health plan performance measures.

The Department recently assumed responsibility for the Office of Health Care Information under an interagency agreement, although the Office is still formally a part of the Commissioner of Insurance. 1995 Wisconsin Act 27 provided \$150,000 to the Office of Health Care Information for the development of Health Plan Performance Measures. Of this, \$50,000 was released for the initial planning phase. The Department completed its report, *Health Plan Performance Measures: A Vision for the Future*, in July 1996.

The Department now requests the release of \$64,600 of the remaining funding to complete its task of collecting and analyzing information on health plan performance measures. OHCI plans to use these funds to contract with staff from the University of Wisconsin to create a survey tool for collecting the necessary information, to meet with health plans to discuss the survey and to begin to develop a computer program that will assist consumers in decision making in the health plan area. The funding will enable OHCI and contract staff to:

- assess the current capacity of health plans (HMO's) to gather claims and clinical data from health care providers on their plan members and to submit aggregated or encounter data to purchasers at their request. A survey and selected on-site visits will focus on the overall

capacity of the health plan's current information technology (hardware, software, and incorporation of electronic standards) that is available to respond to requests for health plan performance measures. Without this information it will be difficult to assess whether plans can voluntarily submit data in a useable (standard) format.

- investigate the health plan's current progress in reporting HEDIS 2.5 and claims data to ETF and BHCF and to other purchasing groups.
- prepare a summary document on the capacity of plans to submit plan performance data in either aggregated or encounter level form, assisting ETF and BHCF in their plans to gather plan performance measures.
- identify and work with a small voluntary group of health plans who are already gathering and analyzing clinical process and outcome indicators, beyond those currently required by state purchasers. Working with this voluntary group will enable OHCI to determine whether these clinical and outcome indicators could be used to provide comparative data for plans across Wisconsin.
- design an electronic health plan decision-making tool for the Internet to assist consumers in their selection of a health plan. OHCI will test this product with focus groups of consumers to assure that it is easily used and useful.

The funding for the second part of this project will lapse at the end of FY 97. We are, therefore, asking that you expedite this request, so that OHCI can proceed with the project of building a collaborative voluntary information system to inform citizens about the health plans they are being asked to select. The information will also provide large group purchasers, such as the State, with additional data for purchasing decisions.

If you have any questions, please call me at 6-8155.

cc: Barbara Rudolph
Judith Nugent
Kevin Lewis
Donna Dunkel
Jim Johnston

S. 16.515 Request: Health Plan Performance Measurement Project

Interagency Personnel Agreements - Center for health Systems Research, UW

Assistant Scientist from 3/1/97 to 6/30/97	\$20,180
Info Systems Consultant from 3/1/97 to 6/30/97	6,850
Analyst from 3/1/97 to 6/30/97	11,450
Subtotal	\$38,480


OHCI Expenditures

Personnel	\$14,770
Printing	3,750
Postage	5,000
Travel	1,000
Conference	600
HEDIS Users Group Membership	500
Publications	500
Subtotal	\$26,120
Total Project Costs	\$64,600

CORRESPONDENCE\MEMORANDUM**STATE OF WISCONSIN
Department of Administration**

Date: March 20, 1997

To: Mark D. Bugher, Secretary
Department of Administration

From: 
Roger Fetterly, Budget Analyst
Division of Executive Budget and Finance

Subject: S. 16.515 Request from the Department of Corrections

REQUEST

The Department of Corrections (DOC) requests a one-time increase in expenditure authority of \$308,200 PRS in the correctional farms appropriation, s. 20.410 (1) (kf), to construct a manure storage structure at the Waupun State Farm and pay for general farm operating costs for the remainder of FY97.

REVENUE SOURCES FOR APPROPRIATION

The sources of revenue deposited in appropriation 20.410 (1) (kf) are receipts from the sale of agriculture and dairy products from the correctional farms.

BACKGROUND

Correctional farms is a program revenue activity operating two farms consisting of 4,751 acres, 1,172 head of cattle and 1,482 swine. The farms have a supervisory and security staff of 21 FTE employees and provides employment for 163 inmates. The farms provide dairy products to the prisons and other state institutions. Excess farm produce and cash crops are sold on the open market or under contract.

ANALYSIS

DOC is requesting a one-time increase in expenditure authority for the following purposes:

Waupun manure storage structure. DOC is requesting an increase in expenditure authority to construct a manure storage structure at the Waupun State Farm to avoid overspreading of manure which can cause excessive nutrient levels and potentially damaging groundwater and surface runoff pollution. Upon closing the Winnebago State Farm and moving the livestock to the Waupun farm, the size of the herd at Waupun more than doubled to the current level of 830 dairy and beef cattle and 60 hogs. Current manure storage capacity is 3 to 5 days. Due to weather and field conditions manure can not be spread this frequently.	<u>FY97</u> \$131,200
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Based on consultation and recommendations from the USDA-Soil Conservation Service, UW Extension and DNR, DOC requested and received authorization from the State Building Commission to construct a manure storage structure. At the December 18, 1996 meeting of the Building Commission a bid for the construction of the storage structure was approved at a cost of \$131,200.

DOC is proposing to use a part of the \$298,300 in receipts which were previously deposited in appropriation 20.410 (1) (kf) from the sale of farmland to cover the cost of construction.

Rent \$4,600

As a section of the Bureau of Correctional Enterprises, the farms incur office rental costs at 2917 International Lane in Madison. Rental costs have increased due to an escalator in the rental agreement. The FY97 rental cost is \$15,300, however the farms only have \$11,100 budgeted for rent. A supplement of \$4,600 is needed to cover the full cost.

Inmate wages \$6,500

Due to an increase in herd size and additional milk processing the farms have had an opportunity to provide more inmates jobs than originally budgeted for. The FY97 projected inmate wage cost is \$180,900, however only \$174,400 is budgeted for that purpose. A supplement of \$6,500 is needed to cover the full cost.

Insurance premiums \$44,100

Farms insurance premiums increased from the base of \$19,655 in FY95 to \$63,800 in FY97. A supplement of \$44,100 is needed in FY97 to cover the full cost of the FY97 premium.

Livestock feed \$20,200

Due to an increase in the size of the dairy herd and the beef cattle operation, the farms are unable to produce enough livestock feed from their own resources which requires them to purchase feed on the open market. A supplement of \$20,200 is needed for this purpose in FY 97.

Utilities \$27,200

Farm utility expenses increased from the base of \$85,900 in FY95 to \$113,100 in FY97 due to the general increase in the size of the farms operation and the opening of a new creamery with a larger production capacity. A supplement of \$27,200 is need for this purpose in FY97.

Waupun creamery supplies \$55,000

As part of the new Waupun creamery new equipment has been installed to fill 1/2-pint milk/juice cartons for sale to prisons and other state institutions. The creamery expects to sell 2.3 million cartons in FY97. Because this is a new operation, cartons costing \$.0224 each and shipping crates costing \$2.99 each

were not anticipated in the last biennial budget. A supplement of \$55,000 is needed for this purpose in FY97

Milking machine take-off units \$5,600

For the health and safety of milking cows, DOC is requesting an increase in expenditure authority to purchase 7 milking machine take-off units at \$800 each. Because of the inexperience of inmate milking helpers, failure to remove milking machines when the flow of milk stops can lead to udder injury and mastitis in the dairy herd. A supplement of \$5,600 is needed for this purpose.

Forage harvester \$20,000

An increase in funding is being requested to replace a forage harvester which has cost \$5,000 in repairs in the 1996 harvest season. This item can be deferred to the 1997-99 biennium because \$108,000 is provided for permanent property in the next biennial budget and most of the 1997 harvest, except for the early hay season, will begin after July 1, 1997.

Internal services \$7,100

Internal services expenditures are projected to be \$15,800 for FY97. A \$7,100 supplement is needed in addition to the \$8,700 in the existing base budget.

Payments for municipal services \$1,400

Municipal services expenditures are projected to be \$4,800 for FY97. A \$1,400 supplement is needed in addition to the \$3,400 in the existing base budget.

Reallocation of salary and fringe funds -\$14,700

DOC has identified \$14,700 in salary and fringe benefits not needed in FY97 which can be reallocated to partially offset the increases requested above.

Total **308,200**

All of the increases requested above are one-time for FY97. Because the farms have been indebted to the general fund for a number of years, it has become an annual practice each Spring for DOC to request supplements under s. 16.515 once there is a reasonable assurance that the farms will generate sufficient revenue to cover an increase in expenditures. Except for the manure storage structure for which the proceeds from the sale of land is being requested, DOC has additional revenue of \$240,500 to cover the \$177,000 requested to continue farm operations for the remainder of FY97.

Each of the above increases in expenditures appears to be necessary for the efficient and profitable operation of the farms in FY97, except for the forage harvester which could be deferred to the next biennium and the manure storage structure which could be funded from the proceeds of the recent sale of DOC farmland under an s. 13.10 request in June of 1997. Funding the manure storage structure from the proceeds of the recent sale of farmland is appropriate and will ensure that the correctional farms appropriation will not

go into further deficit. Under this alternative, the following increase in expenditure authority would be needed:

	FY97
Rent	\$4,600
Inmate wages	6,500
Insurance premiums	44,100
Livestock feed	20,200
Utilities	27,200
Dairy creamery supplies	55,000
Milking machine take-off units	5,600
Internal services	7,100
Payments for municipal services	1,400
Reallocation of salary and fringe budget	-14,700
Total	\$157,000

Summary of financial condition of appropriation 20.410 (1) (kf). The following is a fund condition statement for appropriation 20. 410 (1) (kf) to show the effect of the request on the appropriation as adjusted:

	FY97
Opening balance	-\$5,084,800
Revenue:	
Revenue year-to-date (2/1/97)	1,201,700
Revenue projected to June 30	<u>1,059,300</u>
Total revenue	2,261,000
Expenditures:	
Expenditures year-to-date (2/1/97)	1,168,300
Projected expenditures to 6/30/97	855,200
This 16.515 supplemental recommendation	<u>157,000</u>
Total expenditures	2,180,500
Closing balance	-\$5,004,300
Expenditure authority:	
Chapter 20	\$1,984,800
S. 16.515 approved on May 2, 1996	27,500
Prior year encumbrance	<u>11,200</u>
Total expenditure authority available	2,023,500
Less:	
Total expenditures projected for FY97	2,180,500
Requested expenditure authority increase	\$157,000

SUMMARY

Approving an increase in expenditure authority of \$157,000 in the farms appropriation will meet the immediate needs of the farms for FY97 and reduce the indebtedness of appropriation 20.410 (1) (kf) to the general fund by \$80,500. Funding for the manure storage structure should be requested at the next s.13.10 meeting from appropriation 20.865 (4) (a) which holds \$370,800 as 50 % of the net proceeds from the recent sale of DOC farmland. Funding for the forage harvester can be deferred to the 1997-99 biennium which has an increase in the permanent property line for replacement of machinery.

RECOMMENDATION

Approve a one-time increase in expenditure authority of \$157,000 in FY97 for the correctional farms for continuing operations for the remainder of FY97.

Tommy G. Thompson
Governor

Michael J. Sullivan
Secretary



Mailing Address
149 East Wilson Street
Post Office Box 7925
Madison, WI 53707-7925
Telephone (608) 266-2471

State of Wisconsin Department of Corrections

February 28, 1997

MEMORANDUM

TO: Mark D. Bugher, Secretary
Department of Administration

FROM: Michael J. Sullivan, Secretary
Department of Corrections

RE: S. 16.515(1) Request for Appropriation 20.410(1)(kf)
Numeric Appropriation 121, Sale of Land and
Numeric Appropriation 131, Correctional Farms

The Department of Corrections requests a one time increase in expenditure authority in Appropriation 20.410(1)(kf)(121) of \$131,200 in FY 97 to pay for planning, design and geotechnical investigation services and construction of a manure storage structure at the Waupun State Farm.

In addition, the Department requests a one time increase in expenditure authority in Appropriation 20.410(1)(kf)(131) of \$177,000 in FY 97 to pay for one-time increases in rent, inmate wages, insurance premiums, animal feed, utilities, dairy supplies, farm equipment, internal services, and municipal services. This request represents a partial offset by a one-time decrease in expenditure authority for salary and fringe benefits. The increased expenditure authority request is based upon an updated FY 97 revenue projection of \$2,190,600.

The Department's total requested expenditure authority increase in 20.410(1)(kf) is \$308,200.

Background

Appropriation 20.410(1)(kf) contains numeric appropriations 121 and 131. Summaries are attached showing each of the numeric appropriations 121 and 131, separately.

Waupun Manure Pit:

A new manure storage structure is needed at the Waupun State Farm to achieve proper land and waste management. When the Winnebago State Farm was closed, the dairy herd was moved to the Waupun State Farm. This resulted in more than doubling the herd size at the Waupun State Farm. Manure production since the opening of the new dairy barn has been 5,500 gallons per day. Current storage capacity is 3 to 5 days. Due to weather conditions the Department cannot spread manure this frequently. This results in overspreading in designated areas which can cause excessive nutrient levels and potentially damaging groundwater and surface runoff pollution. There is sufficient land to spread the manure properly at Waupun and Fox Lake State Farms, if the manure can be stored until an opportune weather window occurs. Although there is presently no county animal waste storage ordinance in Dodge County, the proposal for a larger storage structure is in accordance with good land management practices and USDA-Soil Conservation recommendations.

The Department of Corrections has also consulted with the University of Wisconsin-Extension regarding manure management. U.W. Extension agrees with the recommendations in the study report and believe the improvements are necessary for maximum economic use of the existing farm investment.

The Department of Corrections requested Building Commission authority to construct a manure pit. On February 22, 1996 the Commission deferred the project. On March 20, 1996 the Commission approved construction at a cost of \$215,000 PRO and directed the Department to return to the Commission for review and approval of bids. The Department returned with bids, and the Commission approved construction at a cost of \$131,200 at its December 18, 1996 meeting.

Background-Appropriation 121 (Sale of Land)

§ 20.410(1)(kf), Wisconsin Statutes, states: "*Correctional farms.* The amounts in the schedule to operate the correctional farms and for the purchase of institutional farmland, including buildings."

20.410(1)(kf) 1995 Wisconsin Act 27 provided expenditure authority to Correctional Farms Appropriation 121 in the amount of \$3,000. The cash balance in appropriation 121 is \$298,290, as of the date of this request. Revenue from this appropriation is derived from land sales.

The Building Commission approved construction of the manure pit at its December 18, 1996 meeting:

Construction	\$103,000
Contingency	4,000
Design	20,100
Management	<u>4,100</u>
Total Appr. 121 Request	\$131,200

Additional Operations Needs

The Department requests a one time increase in expenditure authority in 20.410(1)(kf) of \$177,000 in FY 97 to pay for increases in FY 97 to pay for one-time increases in rent, rent, inmate wages, insurance premiums, animal feed, utilities, dairy supplies, farm equipment, internal services, and municipal services. The Department also requests authority to offset a portion of the request with FY 97 excess expenditure authority in permanent salary and fringe benefits.

Rent for space at the Badger Correctional Enterprise building located at 2917 International Lane, Madison is tied to an escalator clause mirroring the consumer index in the lease agreement. In FY 97 the increase was 3.12% over FY 96 costs. FY 96's rent expenditure was \$15,300; the total rent due during FY 97 is \$15,700. Budgeted expenditure authority is \$11,100. The Department requests \$4,600 in additional one-time expenditure authority for rent.

Correctional Farms has hired more inmates during FY 97 because of the increase in herd size and additional milk processing. Current inmate wage expenditure authorization is set at \$174,400. Correctional Farm's projects FY 97 costs will be \$180,900. The Department requests \$6,500 in additional, one-time expenditure authority for inmate wages.

Insurance premiums charged to Correctional Farms have increased substantially. In FY 95, premiums were \$19,655. FY 97 premiums total \$63,800. The Department requests \$44,100 in additional, one-time expenditure authority for the difference between the FY 95 risk management budgeted amount and the actual FY 97 insurance costs.

Animal feed costs have increased during the fiscal year through a combination of factors. Both the dairy herd and beef operations are increasing in size. Oregon Farm has maximized existing cropland and is unable to produce enough feed for its herd; thus it purchases a growing amount of feed at continuously higher prices. The Department requests an increase of \$20,200 one-time expenditure authority for FY 97 animal feed costs.

In FY 95 utility expenses totaled \$85,900 for all of correctional farm locations, including the dairy. In FY 96 actual utility expenses for all locations totaled \$113,100. The Department projects FY 97 utility expenses will equal FY 96 actual expenditures. The Department requests \$27,200 in one-time expenditure authority for FY 97 for utilities.

The Waupun Dairy installed a half-pint milk filler machine and is currently selling 79,800 half-pints of skim and 1% per week. Correctional Farms projects they will sell 2,320,000 half-pints during FY 97. Each carton costs \$0.0224 resulting in a FY 97 total cost of \$52,000. Half-pints are stacked into crates for delivery by private vendor to institutions statewide. Each crate costs \$2.99 and current volume requires 1000 crates for a total cost of \$3,000. The Department has been borrowing crates (free) from the private delivery vendor with the understanding that Correctional Farms would purchase crates as soon as they were financially able. The Department requests \$55,000 additional, one-time expenditure authority for these dairy supplies.

Oregon Farm inmate employees currently average less than 2 weeks on the job. Milking and animal care training has become more difficult as the turnover rate increases. The Department would like to purchase 7 milk machine auto take-off units for the health and safety of the cows. A take-off is connected to the cow during the milking process and senses the proper time to disconnect milking equipment from the animal. Using this equipment, rather than untrained or inexperienced inmate employees, is expected to prevent injury and mastitis in the cow. The Department requests \$5,600 additional, one-time expenditure authority to purchase 7 milk machine take off units at \$800 each.

The Department requests expenditure authority to purchase a forage harvester to cut approximately 2,900 acres of hay, corn, wheat straw, and bean straw. The chopped product is used as bedding for farm animals. During FY 97 approximately \$5,000 will have been spent to repair the existing forage harvester. The cost of a new forage harvester, after trade-in of the current model, is estimated at \$20,000.

In FY 96, Correctional Farms spent \$15,800 on internal services. The budget for internal services is \$8,700. The Department requests \$7,100 in one-time expenditure authority for FY 97 internal services.

In FY 96, Correctional Farms spent \$4,800 on municipal services. The budget for municipal services is \$3,400. The Department requests \$1,400 in one-time expenditure authority for FY 97 municipal services.

Finally, the Department has re-estimated salary and fringe benefit costs to be \$248,200 for FY 97 for Correctional Farms (appr. 131). Current salary and fringe expenditure authority totals \$262,900. The difference of \$14,700 can be used to reduce the full expenditure request.

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Background-Appropriation 131 (Correctional Farms)

20.410(1)(131) 1995 Wisconsin Act 27 provided expenditure authority to Correctional Farms Appropriation 131 in the amount of \$2,009,300. In addition, Correctional Farms carried over a FY 96 encumbered balance of approximately \$11,200. Total expenditure authority for FY 97 for appropriation 131 is \$2,020,500. Revenue from this appropriation is derived from dairy products, sale of crops, livestock, firewood, and minor miscellaneous sales.

The Department requests appr. 131, one-time expenditure authority increase of:

Rent	\$4,600
Inmate Wages	6,500
Insurance	44,100
Animal Feed	20,200
Utilities	27,200
Dairy supplies	55,000
Permanent property	25,600
Internal Services	7,100
Municipal Services	1,400
Salary and fringe offset	<u>(14,700)</u>
Total appr. 131 increase	\$177,000

cc: Executive Staff
Steve Kronzer, BCE
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Department of Corrections
Appropriation 20.410(1)(kf)
Summary - Appropriation 121 (Sale of Land)

<u>Opening Cash Balance</u>	\$298,300
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Plus Revenue

Revenue YTD	0
Additional Revenue Projections to 6/30	<u>0</u>
Total Revenue	\$0

Less Expenditures

Expenditures YTD	\$3,000
Requested § 16.505/16.515 Supplement	<u>131,200</u>
Total Expenditures	\$134,200

<u>Year End Cash Balance Projections</u>	\$164,100
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Expenditure Authority

Chapter 20	\$3,000
Prior Year Encumbrances	0
Re-estimates of Revenue and Expenditures YTD	<u>0</u>
Total Current Expenditure Authority	\$3,000
Additional Expenditure Authority Requested	<u>\$131,200</u>
New Proposed Expenditure Authority	\$134,200

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Department of Corrections
Appropriation 20.410(1)(kf)
Summary - Appropriation 131 (Correctional Farms)

Opening Cash Balance (\$5,383,100)

Plus Revenue

Revenue YTD (2-1-97)	1,201,700
Additional Revenue Projections to 6/30	<u>1,059,300</u>
Total Revenue	\$2,261,000

Less Expenditures

Expenditures YTD (2-1-97)	\$1,165,300
Additional Expenditures to 6/30/97	55,200
Requested § 16.505/16.515 Supplement	<u>177,000</u>
Total Expenditures	\$2,197,500

Year End Cash Balance Projection (\$5,319,600)

Expenditure Authority

Chapter 20	\$2,009,300
Prior Year Encumbrances	<u>11,200</u>
Total Current Expenditure Authority	\$2,020,500
Requested § 16.505/16.515 Supplement	<u>\$177,000</u>
New Proposed Expenditure Authority	\$2,197,500